REMARKS

I. Status of the Application

Claims 1-23 are pending in this application. In the November 22, 2004 office action, the Examiner:

A. Objected to the Oath/Declaration as allegedly having not been signed by Todd O. Perry;

B. Objected to claim 9 for an informality;

C. Rejected claims 1-8 and 11-23 under 35 U.S.C. § 101 as allegedly failing to be directed to statutory subject matter;

D. Rejected claims 1, 5-9 and 14-19 under 35 U.S.C. § 102(b) as allegedly being anticipated by U.S. Patent No. 5,809,484 to Mottola (hereinafter "Mottola");

E. Rejected claims 2-4 and 11-13 under 35 U.S.C. § 103(a) as allegedly being obvious over Mottola in view of DeBellis, Matthew A., et al. *Elevator Pitch,* Red Herring the Business of Technology (February 9, 2001, at p.4) (hereinafter "the Red Herring Article");

F. Rejected claims 10 and 17 under 35 U.S.C. § 103(a) as allegedly being obvious over Mottola; and

G. Rejected claims 18-23 under 35 U.S.C. § 103(a) as allegedly being obvious over Mottola in view of the Red Herring Article.

In this response, claims 1-6, 8-10, 14, 16-17, 19, 21 and 22 have been amended to further particularly point out and distinctly claim the inventive subject matter. Claim 7

has been canceled, without prejudice. Applicants respectfully traverse the rejections of claims 1-6 and 8-23 in view of the foregoing amendments and the following remarks.

II. The Objection to Claim 9 is Moot

The Examiner objected to claim 9 because of an informality. In the objection, the Examiner suggested an amendment that would address the informality. Claim 9 has been amended as suggested by the Examiner. Accordingly, it is respectfully submitted that the objection to claim 9 is moot and should be withdrawn.

III. Claims 1-6 Are Directed to Statutory Subject Matter

Claims 1-6 stand rejected as allegedly being directed to non-statutory subject matter. In particular, the Examiner stated that these claims "lack any recitation of technology in the body of the claims, which is required in order to meet the statutory requirements." (November 22, 2004 office action at p.2).

Claim 1 has been amended to include a recitation of a processing circuit, a memory and an input. These elements and there relationships are shown, by way of non-limiting example, in Figs. 1 and 5. The amendments are clearly supported by the application as filed at pages 5-6 and 20. Pages 5 and 6 describe an exemplary embodiment of a processing apparatus 10 that includes a processing circuit 12, a memory 18 for providing program instructions to the processing circuit 12, and an input 14 for receiving input used by the processing circuit 12. Page 20 teaches that the processing circuit may be used to carry out the analysis and valuation steps that are used to develop

the security value. As a consequence, claim 1 clearly cites technology in the body of the claim.

Although applicant respectfully traverses the application of the ruling of *Ex parte Bowman* in this case or in any case, it is respectfully submitted that claim 1 now recites sufficient amounts of technology in the body of the claim to satisfy the standard of *Ex parte Bowman*. Thus, even under the Examiner's application of *Ex parte Bowman,* claim 1 recites statutory subject matter.

Claims 2-6 all depend directly or indirectly from claim 1. Accordingly, claims 2-6 all incorporate all of the limitations of claim 1. Because claim 1 recites sufficient technology to constitute statutory subject matter under *Ex parte Bowman*, claims 2-6, which include those recitations of technology, also constitute statutory subject matter.

For the foregoing reasons, among others, it is respectfully submitted that the rejection of claims 1-6 under 35 U.S.C. §101 is moot and should be withdrawn.

IV. Claims 8 and 11-16 Are Directed to Statutory Subject Matter

Claims 8 and 11-16 also stand rejected as allegedly being directed to non-statutory subject matter. As with claims 1-6, the Examiner stated that claims 8-16 "lack any recitation of technology in the body of the claims, which is required in order to meet the statutory requirements." (November 22, 2004 office action at p.2).

Claim 8 has been amended to include a recitation of a first processing circuit. The amendments are clearly supported by the application as filed at pages 5-6 and 20. As a consequence of the amendment, claim 8 recites statutory subject matter even under the Examiner's application of *Ex parte Bowman*.

Claims 11-16 all depend directly or indirectly from claim 8. Accordingly, claims 11-16 all incorporate all of the limitations of claim 8. Because claim 8 recites sufficient technology to constitute statutory subject matter under *Ex parte Bowman*, claims 11-16 which include all of those recitations of technology also constitute statutory subject matter.

For the foregoing reasons, among others, it is respectfully submitted that the rejection of claims 8 and 11-16 under 35 U.S.C. §101 is moot and should be withdrawn.

V. Claims 17-23 Recite an Apparatus With Multiple Processing Circuits

Claims 17-23 also stand rejected as allegedly being directed to non-statutory subject matter. Claim 17, as original filed, was directed to a system having a first processor and a plurality of remote processors. Claims 18-23 depend from claim 17.

Although claims 17-23, as filed, recite a system having multiple processors, the Examiner rejected those claims as allegedly being directed to non-statutory subject matter. The Examiner acknowledged the presence of the processors in claim 17, but stated that it was "not clear what is meant by a 'processor' or whether it is related to a computer or could be human entity". Applicant respectfully submits that the term "processor", as normally understood and as used in the present application, clearly means a processing circuit or device. To this end, the specification provides an exemplary embodiment consistent with the normal meaning.

In particular, the application at page 5 provides the following description:

> The processor 12 may suitably be a general purpose microprocessor, a controller or microcontroller, a special mathematical processor, a digital signal processor, combinations of discrete logic devices and/or programmable logic devices, or any combination of the above that are operable to carry out one or more of the steps described herein.

(Specification at p.5, lines 15-19). Accordingly, the term "processor" as used herein is clearly intended to refer to a physical processing circuit.

To address the Examiners concerns, however, claims 17-23 have been amended to replace each instance of "processor" with "processor circuit". As evidenced by the above quoted passages from page 5 of the specification, these amendments are clearly supported by the application as filed. In particular, the application clearly uses "processor" to mean the same thing as "processor circuit", namely any electronic device or set of electronic devices that processor signals. (See *id.*).

Because of the amendments replacing instances of "processor" with "processor circuit" in claims 17-23, the Examiner's objection that the term "processor" could be interpreted to be a human entity has been eliminated. There is no interpretation of "processor circuit" that could be interpreted to be a human entity. For this reason, it is respectfully submitted that the 35 U.S.C. §101 rejections of claims 17-23 are moot and should be withdrawn.

VI. The Anticipation Rejection of Claim 1 is in Error

Claim 1, as amended, includes additional limitations from claim 7 as originally filed. In the November 22, 2004 office action, the Examiner alleged that both claims 1 and 7 were anticipated by Mottola. For reasons discussed below in detail, it is respectfully submitted that Mottola fails to teach or disclose each and every element of claim 1, as amended.

A. The Present Invention

Claim 1, as amended, is directed to a processing circuit, a memory and an input. The memory stores program instructions operable to cause the processing circuit to determine an initial value of a security instrument having a value based on the prospective income of a performer. The value based on the prospective income is based at least in part on a contingent portion of the prospective income. The prospective income is service based. The initial value is based on a value of performance incentives available to the performer, as well as a likelihood of the performer attaining the performance incentives. The input is configured to receive information representative of the value of performance incentives available to the performer.

Examples of performance incentives include hitting a number of home runs in a five year period for a baseball player, achieving a certain quantity of rushing yards for a football player, or being selected to an all-star squad. Such performance incentives are known at the time that the security is initially valued. (See Specification at page 8, lines 2-9; page 12, line 21 to page 13, line 18; page 18, lines 13-20).

Thus, the security instrument has a value that is contingent upon the performer attaining particular performance incentives that affect the performer's contingent income.

B. Mottola

Mottola is directed to method for administering a plan for funding investments in education. The education investment plan includes a unit investment trust for financing the educations of a predetermined number of students in preselected fields of study. The method allows investors to invest in students' future income streams to be earned upon

graduation. Prospective investors are given projected incomes for particular professions and schools for a particular offering. Investors may then participate in the offering until a pool of money is raised. Thereafter, student investees are selected to participate by pledging portions of future income against the money raised by the offering. The money raised by the offering is used to pay for the students' education.

C. Mottola Fails to Disclose An Inital Value Based on Performance Incentives

Mottola does not teach a system in which a security value has an initial value that is based on a value of performance incentives (that defines the contingent income) available to the performer, as well as a likelihood of the performer attaining the performance incentives. As claimed, the contingent income that forms part of the security value arises from performance incentives, such as contract incentives for achieving particular goals. Performance incentives may include bonuses for achieving a milestone statistic in a particular sport, or winning money by making the cut in a golf tournament, etc.

Mottola does not involve such performance incentives because at the time of investment, no particular contingent income-related performance incentives exist for the student. The student is merely finishing school with speculation that the student will be able to obtain an occupation. Thus, Mottola merely forecasts future income for a particular field of endeavor, and makes no comment about performance incentives because none exist at the time the initial value of the investment is determined. Mottola does not identify performance incentives tied to income for particular students, much less use them to determine the initial value of the offering.

1. The Examiner's Reasoning

In the rejection of claims 1 and 7, the Examiner alleged that Mottola teaches basing an initial value on the value of performance incentives available to the student at col. 14, lines 40-65. Those lines are set forth below:

> At step 632, the student's academic record at the end of the term is evaluated by the unit investment trust managers. At test 633, it is determined whether or not the student's academic record is satisfactory for continued participation in the plan (e.g., whether or not a minimum grade point average has been achieved or whether or not minimum course load requirements have been fulfilled). If not, the system continues to step 634 where the unit investment trust proceeds to collect from the student amounts due under the student's contract with the investment trust (e.g., amount due on default) and the studen's participation in the education plan is severed. If at test 633 the student's academic record is determined to be satisfactory, the system continues to test 635, where it is determined whether or not the student has completed all necessary course requirements for graduation. If not, which implies that the student has additional course requirements to complete at his or her college or university, the system returns to step 631 where the above steps are repeated for another term. If at test 635 it is determined that the student has completed all necessary course requirements to graduate, the routine ends at 636. Optionally, before the routine ends, the system may proceed to step 637 where data gathered in monitoring the progress of one or more students is fed back to the stored success criteria so that they can be updated based on additional experience.

(Mottola at col. 14, lines 40-65). Nowhere in the above described paragraph is there any mention of a "value of performance incentives available to the performer", particularly for those performance incentives which "define the contingent portion of the prospective income" of the performer. The only performance incentive in the above-quoted paragraph is one that the student must maintain good grades to stay in the program.

While one can argue that the performance incentive to get good grades affects the student's ability to receive a benefit from the funding program, achieving the performance incentive does not provide the contingent portion of the student's prospective income. Achieving the performance incentive merely allows the student to finish the program and thus borrow money for school.

The only "contingent income" of the students in the Mottola program, if any, is the speculative prospective income of their prospective profession. The students' ability to earn such income is only vaguely related to the students' ability to achieve a certain grade level. Indeed, many students with lower grades out-earn students with higher grades.

By contrast, the present invention contemplates performers having known incentives that provide additional (contingent) income if the incentive is achieved. This additional income increases the value of the security instrument if achieved. As a consequence, the probability of achieving the incentive is taken into account when providing an initial value to the security.

Because Mottola fails to teach a system that generates an initial value based on a value of performance incentives available to the performer, wherein the performance incentives define the contingent portion of the prospective income, Mottola does not teach or suggest each and every element of claim 1. For at least this reason, it is respectfully submitted that the rejection of claim 1 is in error and should be withdrawn.

VII. Claims 5-6

Claims 5-6 also stand rejected as allegedly being anticipated by Mottola. Claims 5-6 depend from and incorporate all of the limitations of claim 1. Accordingly, for at least the same reasons as those set forth above in connection with claim 1, it is respectfully submitted that the rejection of claims 5-6 over Mottola should be withdrawn.

VIII. Claims 2-4

Claims 2-4 stand rejected as alleged by obvious over Mottola in view of the Red Herring Article. The Examiner cited the Red Herring Article as providing the teaching related using the Mottola system/method in connection with professional sports. Accordingly, the combination of the Red Herring Article with Mottola does not cure the deficiencies of Mottola with respect to the generation of an initial value based on a value of performance incentives available to the performer, discussed above in connection with claim 1. Accordingly, it is respectfully submitted that the rejection of claims 2-4 over Mottola and the Red Herring Article should be withdrawn for at least the reasons set forth above in connection with claim 1.

A. No Motivation or Suggestion to Combine

In addition to the reasons related to claim 1, claims 2-4 are not obvious because there is no legally sufficient motivation or suggestion to combine Mottola with the Red Herring Article as proposed by the Examiner.

1. Professional Athletes Do Not Require Private Educational Investment

The overriding purpose of Mottola is to fund education for individuals that are likely to be able to repay the investment in their education after graduation. (See Mottola at cols. 1 and 2). Such a goal is *not* advanced by selling rights in the future income of professional athletes. In particular, it is common knowledge that athletes that are deemed to be of professional caliber will normally be provided athletic scholarships by their universities. As a consequence, there is no need for private investor funding of student athletes. In addition, it is questionable as to whether athletes require a college education

at all to carry out their athletic profession. Finally, there is a very good chance that private funding of student athletes could violate collegiate sport rules and result in disqualification of the student athlete.

Accordingly, there simply is no need to generate a trust fund to invest in the tuition costs of professional-caliber athletes. As a consequence, there is no motivation or suggestion to use the college education funding method and apparatus of Mottola to sell future income streams of professional athletes.

2. Mottola and the Red Herring Article Use Different Investments

The Red Herring Article plainly teaches a desire to offer securities that trade on a national exchange. Mottola does *not* teach the generation of a security that trades at all, much less on a national exchange. Mottola teaches a private investment method, and does not provide for trading of the investment on an exchange. One of ordinary skill in the art would not be motivated to adapt Mottola to professional athletes because of the Red Herring Article because Mottola teaches away from the goal of the Red Herring Article to offer securities that trade on a national exchange.

3. No Motivation or Suggestion

Accordingly, for multiple reasons set of forth above, there is no motivation or suggestion to combine Mottola with the Red Herring Article. The motivation of Mottola to provide education funding is inapplicable to professional athletes. Moreover, the motivation of the Red Herring Article to provide tradable securities on a national exchange is not satisfied by Mottola.

B. Conclusion as to claims 2-4

Accordingly, for multiple reasons, it is respectfully submitted that the rejection of claims 2-4 is in error and should be withdrawn. First, the combination of Mottola and the Red Herring Article does not arrive at the invention of claims 2-4 for reasons set forth above; and second, there is no legally sufficient motivation or suggestion to combine Mottola and the Red Herring Article as proposed by the Examiner.

IX. Claim 8

Claim 8 stands rejected as allegedly being anticipated by Mottola. Claim 8 is directed to a method that includes a step of employing a first processing circuit to determine an initial value of a security instrument. The initial value of the security instrument is based on the prospective income of a performer, and in particular, at least partly on a contingent portion of the prospective income. The prospective income is service based. The method also includes offering the security for sale. As amended, the performer is a professional athlete, musician, author or actor. Support for such amendments may be found in the specification as filed at page 3, lines 18-21.

Thus, the method of claim 8 takes advantage of large fan bases and notoriety of the performers (i.e. athletes, musicians, authors etc.) to generate excitement in the security. The use of publicly known performers generates interest in the purchase and sale of the securities.

Mottola is directed to an investment that derives its value from the future income of students. Mottola does *not* teach a security instrument that has a value based on the

prospective income of a performer such as an athlete, musician, author or actor. Mottola does not teach or suggest deriving an advantage from large fan bases or notoriety of individual performers. Accordingly, Mottola fails to teach or even remotely suggest each and every element of claim 8.

Moreover, there is no motivation or suggestion to modify Mottola to include a security instrument that has a value based on the prospective income of an athlete, musician, author or actor.

In particular, it is noted that in the rejection of claim 11-13, which depend from claim 8, the Examiner alleges that it would be obvious to modify Mottola to apply the method of Mottola to professional athletes as taught by the Red Herring Article. Such reasoning, if correct, would render claim 8, as amended, unpatentably obvious. However, such reasoning is not correct. As described above in connection with claims 2-4, there is no legally sufficient motivation or suggestion to combine Mottola with the Red Herring Article as proposed by the Examiner.

As a consequence, it is respectfully submitted that claim 8, as amended, is allowable over the prior art.

X. Claims 9-10 and 14-16

Claims 9 and 14-16 also stand rejected as allegedly being anticipated by Mottola. Claims 9 and 14-16 depend from and incorporate all of the limitations of claim 8. Accordingly, for at least the same reasons as those set forth above in connection with

claim 8, it is respectfully submitted that the rejection of claims 9 and 14-16 over Mottola should be withdrawn.

Claim 10 stands rejected as allegedly being *obvious* over Mottola. Claim 10 also depends from and incorporates all of the limitations of claim 8. The modification of Mottola proposed by the Examiner in connection with the rejection of claim 10 does not address the deficiencies of Mottola with respect to claim 8, discussed above. Accordingly, for at least the same reasons as those set forth above in connection with claim 8, it is respectfully submitted that the rejection of claim 10 over Mottola should be withdrawn.

XI. Claims 11-13

Claims 11-13 stand rejected as allegedly being obvious over Mottola in view of the Red Herring Article. The Examiner's justification for combining Mottola and the Red Herring Article in the rejection of claims 11-13 is identical to that provided for claims 2-4. (November 22, 2004 office action at pp.4-5). As discussed above in connection with claims 2-4, there is no legally sufficient motivation or suggestion to combine Mottola and the Red Herring Article as proposed by the Examiner. Accordingly, it is respectfully submitted that the rejection of claims 11-13 over Mottola and the Red Herring Article should be withdrawn.

XII. Claim 17

Claim 17 stands rejected as allegedly being obvious over Mottola. However, the rejection of claim 17 is unclear in that the Examiner appears to state that Mottola fails to

disclose the "first processor" of claim 17, but never later states it would have been obvious to modify Mottola to include such a "first processor". (November 22, 2004 office action at p.6). Indeed, the Examiner appears to later imply that Mottola fails to disclose the "plurality of remote processors". (*Id.*) (". . .it would have been obvious . . . to have modified the Mottola system to include a plurality of remote processors"). Thus, it is not clear what elements of claim 17, the Examiner contends are taught by Mottola.

However, in the rejection of claim 9, the Examiner alleges that Mottola teaches a first computer receiving bids from a plurality of remote computers at column 11, lines 31-58.

Regardless, it is respectfully submitted that Mottola does not teach *any* computers that accept "bids" because Mottola does not employ a bidding process for the sale of its investments. Instead, offering documents are provided to investors, and those who decide to invest are entered into the system. No bidding is involved.

The Examiner has not provided any motivation or suggestion (or any teaching in the art) to modify Mottola to accept bids for investments, much less accept bids from remote computers. Accordingly, for at least this reason, it is respectfully submitted that the rejection of claim 17 over Mottola is in error and should be withdrawn.

XIII. Claims 18-23

Claims 18-23 stand rejected as alleged by obvious over Mottola in view of the Red Herring Article. Claims 18-23 all depend from and incorporate all of the limitations

of claim 17.

The Examiner cited the Red Herring Article as providing the teaching related using the Mottola system/method in connection with selling investments in income earned in professional sports. Accordingly, the combination of the Red Herring Article with Mottola *as proposed by the Examiner* does not cure the deficiencies of Mottola with respect to the use remote processing circuits to provide a plurality of bids, discussed above in connection with claim 17. Accordingly, it is respectfully submitted that the rejection of claims 18-23 over Mottola and the Red Herring Article should be withdrawn for at least the reasons set forth above in connection with claim 17.

In addition to the reasons related to claim 17, claims 18-23 are not obvious because there is no legally sufficient motivation or suggestion to combine Mottola with the Red Herring Article as proposed by the Examiner. In particular, as discussed above in connection with claims 2-4, there is no modify Mottola to form an investment based on the prospective income of athletes as taught by the Red Herring Article because the motivation of Mottola for providing the education funding is inapplicable to professional athletes. Moreover, the motivation of the Red Herring Article to provide tradable securities on a national exchange is not satisfied by Mottola.

Accordingly, for multiple reasons, it is respectfully submitted that the obviousness rejection of claims 18-23 is in error and should be withdrawn. First, the combination of Mottola and the Red Herring Article proposed by the Examiner does not arrive at the invention of claims 18-23; and second, there is no legally sufficient motivation or suggestion to combine Mottola and the Red Herring Article as proposed by the Examiner.

XIV. Conclusion

For all of the foregoing reasons, it is respectfully submitted the applicants have made a patentable contribution to the art. Favorable reconsideration and allowance of this application is, therefore, respectfully requested.

Respectfully Submitted,

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Enclosures